

### In search for the European social question: historicising European social policy

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# SOZIALRAUM EUROPA

Die Entwicklung des territorialen Rahmens sozialpolitisch relevanter Solidarität

**SEU Working Papers**

Stefanie Börner

## IN SEARCH FOR THE EUROPEAN SOCIAL QUESTION

Historicising European Social Policy

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## Zusammenfassung

Wurde die Herausbildung europäischer Sozialpolitik von einer spezifischen sozialen Frage geleitet oder handelt es sich dabei lediglich um einen Prozess nachholender Integration und funktionaler Nebenwirkungen? Dieser Frage geht der vorliegende Beitrag nach und betrachtet anknüpfend an Piersons historisch-institutionalistischen Analyserahmen die historischen Entwicklungslinien der sozialpolitischen Regelungen auf europäischer Ebene über einen längeren Untersuchungszeitraum hinweg. Die dadurch hervortretenden, sich langfristig entfaltenden Entwicklungslogiken und Ausweitungsdynamiken geben den Blick auf die Besonderheiten europäischer – also supranationaler – Sozialpolitik frei. Nach dem Vorbild historisch vergleichender und kontext-sensitiver Studien zur Entstehung des Wohlfahrtsstaats untersucht der Beitrag das Wechselspiel institutioneller und makroökonomischer Faktoren sowie die Bedeutung neuer Ideen auf supranationaler Ebene für die Herausbildung von EU-Sozialpolitik. Dadurch wird zum einen die Unverwechselbarkeit *europäischer* Politik deutlich, zum anderen wird gezeigt, wie sich die sozialpolitische Frage der EU langsam von einer den gemeinsamen Markt fördernden hin zu einer den Markt kompensierenden Angelegenheit entwickelt. Der Beitrag verdeutlicht, wie aufgrund der sich gegenseitig verstärkenden Interaktionseffekte zwischen den einzelnen analytischen Dimensionen von Politikwandel die soziale Dimension Europas langsam auch zu einer Frage der Legitimation und Integration wird und somit das ursprünglich anvisierte Ausmaß des Integrationsprojekts weit übersteigt.

## Abstract

Social science scholars have learnt a great deal from comparative historical and historical institutionalist works. In combining different explanatory factors and considering long-term processes and path-dependencies these studies seem to be much more promising than neofunctionalist or intergovernmentalist perspectives that frame European social policy as spillover effect and negative integration. Therefore drawing on Pierson's historical-institutionalist approach this paper applies a long-term perspective to European social policy, in order to better understand its development and reform. Such a perspective reveals the distinctiveness of *European* social policy and points to an incremental shift in the rationales that have been driving social politics at the European level during the last decades: from a market-making issue the European social question evolved into a market-compensating issue. The paper examines how institutional, macroeconomic and ideational factors have been shaping these problem definitions and argues that to the extent that those factors interact with and mutually reinforce each other, EU level social policy increasingly becomes involved in questions of legitimacy and social integration and thus by far exceeds the initially envisioned level of political integration.

**Stefanie Börner**  
**IN SEARCH FOR THE EUROPEAN SOCIAL  
QUESTION.**  
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## **1 Introduction**

The current fiscal and debt crisis makes a common European social policy simultaneously more likely and more unlikely. The result depends on the path chosen: It becomes more and more unlikely because of a growing tendency to renationalise currencies and the economic system. Especially Eurosceptics prefer to recapture nation states' sovereignty in order to restore their scope of action in the field of social policy (Streeck 1998, 2001). However, the opposite scenario triggers the Europeanisation of social policy as it reacts to the dilemma faced by the EU, i.e. the absence of transnational policies and institutions in an atmosphere of increasing economic globalisation and Europeanisation:

“Common rules and social standards can avert social dumping, unfair competition and the uneven economic growth in the Eurozone and the EU. This goal was set in the 1950s from the founding fathers of the EU and the trade unions. It was restated at the Maastricht Treaty and the creation of the Euro, although in a verbal way, but the predominance of the neoliberal doctrine left limited space for its implementation. It is obvious that we need a *new European Social Model*, different from the one followed over the past decades. We need a real common social space where obligatory rules are being implemented and where countries cannot exercise social dumping practices.” (Sakellariopoulos 2012, emphasis in original)

Thus, it still makes sense to debate EU level social policy.

“Especially in a situation where employment, wages and social transfers are at risk national actors call for a European solution in order to safeguard social cohesion: If national borders gradually lose their salience and national states gradually become part of a global – or at least European – economy, then a natural thought is to organize the welfare state at a higher, supranational level, too.” (de Beer 2009: 228)

But even 20 years after Maastricht, the question of the future prospects of a Social Europe is still “bound to be speculative” (Leibfried 1993: 97) and overshadowed by poor chances. Of course, there are no ambitions to build a European welfare state. Therefore, one of the key concepts describing and explaining social policy at the European level is the spillover effect that stems from the insight that EU politics are shaped by imperatives of the single market and mainly the result of negative integration (see Scharpf 1996; Falkner 1998; Leibfried 2005; Puetter 2009). But when speaking of European social policy it is important to specify whether one speaks of the Europeanisation of domestic social policy regimes through coordination and harmonisation measures or of proper supranational welfare measures at the European level that potentially make an own welfare regime or at least supplement the existing national ones. This paper attempts to grasp the second – supranational – dimension of EU social politics and therefore proposes a change in perspective.

In a historical perspective the paper analyses the transformative process which most scholars refer to as the development of a European social dimension and aims at examining the extend of *supranational* European social policies by identifying the key rationales that have been guiding the social integration in Europe during the last six decades. Empirically and theoretically we have learned a great deal from historical and comparative social policy research. In its narrowest and most unmistakable sense, “modern social policy meant state efforts to reduce economic inequality by providing certain floors on income and services and preventing income losses due to certain risks.” (Amenta 2003: 97) Thus, social policy was at the heart of an enormous growth of states during the twentieth century and was crucial for the understanding of the development of Western states (ibid.). However, the functional dimension of public social policy has always been much more diverse and complex than simply alleviating hardship or inequality. Different paths to the welfare states show that their development can be seen in the light of major transformative processes that link to national particularities. Numerous scholars have shown how the political rationale links pressing social issues to the respective scope conditions and the wider context thus producing a wider logic (e.g. Heclo 1974; Orloff/Skocpol 1984; Orloff 1993; Huber/Stephens 2001), among which besides economic considerations the integrative dimension proofed to be crucial (de Swaan 1988; Baldwin 1990; Manow 2005; Kaufmann 2003). During the last 120 years national societies served as reference point for these considerations.

A second way to learn from historically informed work is to appraise the way historical-empirical studies approach processes of policy development and their feedback effects that influence and reinforce their future character (Mahoney 2000; Pierson 2000, 2003; Huber/Stephens 2001). Social policy development and reform is framed as long-term process, within which a set of mutually reinforcing factors impact the policies’ career. “Once established, specific patterns of political mobilisation, the institutional “rules of the game”, and even citizens’ basic ways of thinking about the political world will often generate self-reinforcing dynamics.” (Pierson 2003) In applying path dependency and causal patterns unfolding over time to the EU Pierson and colleagues also enriched the debate on

European integration. Since the Union and its multiple levels of governance are marked by a high level of complexity and issue density, they are especially prone to feedback loops, interaction effects and unintended consequences. Therefore, as Pierson argues, considering the EU's intertemporal patterns of policy change is particularly telling (Pierson/Leibfried 1995; Pierson 1996).

The following analysis addresses these issues while expanding the theoretical frame of reference by ideational aspects of policy formation. Therefore, the paper examines the European Union's social policy making and development in order to answer the question how the European social question has been framed. Using the example of three historical periods of social policy development at the European level the paper examines its historical roots, development over time as well as the dynamics of expansion. Hereby I assume that the more the EU also began to establish quasi-state structures, the more supranational policies, which are not only designed to flank the market-building project, were able to develop. Therefore, the first empirical part (3.1) discusses the original notion of EU-level social policy as introduced in the Treaty of Rome as well as its reform in the Single Social Act in the 1980s. Examining the development of the structural funds until the Treaty of Maastricht the second part analyses the growing relevance of the regional and the redistributive dimension for social policy at the European level (3.2) and last but not least the paper explains why the 1992 Social Agreement and later the Amsterdam Treaty were able to significantly widen the notion of EU social policy in terms of both competences and procedures (3.3). But before that, the theoretical and conceptual considerations will be outlined (2.1) and embedded into the historically informed framework proposed here (2.2).

## **2 New and old social questions**

### **2.1 EU social policy: Brief state of the art**

This paper does not question the fact that there is a European level social policy but it challenges the common notion of the social dimension of the EU. This section examines this notion and discusses different possibilities to grasp the development and expansion of EU social politics. There can be no doubt that social policy at the European level has been expanding ever since the six original members of the European Economic Community signed the founding treaty in 1957. Not only that this policy field is steadily gaining ground in the treaties of the Community and its predecessors, the 1992 Social Protocol as well as several Green and White Papers speak for themselves. However, one can critically reject this view by saying that these actions are mainly of a symbolical nature.

An alternative way to grasp a growth in EU social policy is to consider the qualitative gain of power and mandates over the years or the quantitative expansion. Qualitatively, more and more competencies in the field of social policy have been granted to the new centre such as collective interest representation or funding of employment policies were first men-

tioned in the Social Protocol or combating of social exclusion to which the Treaty of Nice (2000) referred to for the first time. This development was flanked by a slight increase in the number of issues that can be decided by qualified majority voting (see Leibfried 2005). However, “the policy-making capacities of the Union have not been strengthened nearly as much as capabilities at the level of member states have declined.” (Scharpf 1994: 219)

One can discern also a significant rise in quantitative terms. Not only that the number of European Court of Justice (ECJ) judgments on social policy rose from 50 to over 1.000 between the 1950s and the 1990s, also the financial resources spent on the Union's Cohesion Policy have been steadily rising since the Treaty of Rome established the ESF. While in 1973 only 5 per cent of the EU budget was spent on cohesion within Europe, the structural funds rose and stabilised at over one third of the budget (cp. Ross 1995; Allen 2010).

More recently, in terms of coverage – an important concept in national welfare state research – scholars have also convincingly argued that the Treaty of Rome expanded the right of free movement from workers in coal mining or steel making occupations to all workers in 1957; and since the seventies the ECJ systematically widened its scope towards a free movement of persons until, finally, in 1993 the Treaty of Maastricht granted every EU citizen the freedom of movement and residence throughout the territory of the EU (see Recchi/Favell 2009). This expansion is associated with new ambitions of European politics, so that the steadily growing addressees of European politics can now derive an increasing number of rights from their role as EU citizen, EU worker or EU consumer (Eigmüller 2012), e.g. the “Directive on Cross-Border Healthcare” enables all medically insured European citizens to consume healthcare abroad and receive reimbursement up to the level of home-country rates (Directive 2011/24).

Basically, two classical theory strands have analysed and explained these increasing EU social policy activities. The first school conceives the European political system as an inter-governmental system with a weak centre that is marked by a number of well known institutional and structural constraints, above all Scharpf's joint-decision trap, blocking further integrative developments (cp. Scharpf 1988, 1994; Moravcsik 1993). This integration theory has been criticised and modified by a group of scholars who include the nation state in a wider political structure and therefore argue that the EU forms a multi-level governance within which actors at different levels share the decision-making processes (see Marks et al. 1996; Hooghe/Marks 2001). From this point of view EU social policy is a conglomerate of arduously negotiated and weak regulatory and coordinatory measures.

In the conventional wisdom of the second strand EU-level social policy is mainly the result of spillover processes from the single market project. Neofunctionalists expect European integration to have an inbuilt expansive mechanism that increases both the policy areas involved and the level of supranationality of policy-making (Schmitter 1969; Falkner 1998). Applied to social integration European social policies are expected to result from negative integration and indirect pressures.



Both views will be opposed here. While intergovernmentalism prevents us from recognising the Commission's (and other actors') autonomous actions and independent efforts to trigger a social dimension, neofunctionalist explanations fail to take into account the complex institutional and actors' constellations that shape the policy process and tend to overstate the potential of the supranational level. In fact, well aware of both its restrictions and strengths the Commission creatively confines to the structural conditions and develops its own strategies. Therefore, spillover and joint-decision trap are only half of the story as they ignore the Commission's active role (see also Majone 1993; Falkner 1998; Threlfall 2007). I assume that the development of social programmes at the European level can be attributed to certain contextual factors as well as institutional constraints and dynamics that shape the actors' interests, strategies and scope of action. Here, one can draw on the work of historical institutionalists who "stress the way institutions shape the goals political actors pursue and the way they structure power relations among them" (Thelen/Steinmo 1992: 2). This comprehensive historical approach to social policy analysis assumes that policy developments are pre-structured by institutional constraints and mechanisms (cf. Skocpol's (1992) structured policy approach), but is also sensitive to external aspects such as economic trends and the like. At the background of these considerations the relationship between social policy and economic action can be described not as spillover but as traditionally intertwined as in the eyes of political economists or political sociologists (Hall 2001).

This has also implications for the conceptualisation of social policy growth. The short overview made clear that different accounts grasp different dimensions of EU social policy growth. Thus, it is important to specify what one has in mind when speaking of European social policy. For example there is a huge difference whether one speaks of the Europeanisation of domestic social policy regimes through coordination and harmonisation measures or of proper supranational welfare measures at the European level that potentially make an own welfare regime. Therefore, the expansion of EU-level social policy will be grasped differently here, since the fact that EU actors adopt social regulations on the basis of EU treaties does not mean that one can speak of genuine European social policies. The expansive process of social policy formation is grasped here qualitatively as multidimensional process of increasing Europeanisation of welfare policies. This means that a distinction is been drawn between the *consequences* of European integration mostly framed as spillover and genuine supranational *activities*, which also take into account the active role of EU level actors.

## 2.2 Old social questions: Bringing EU social politics into perspective

Historicising means two things here: First, the paper refers to the respective circumstances under which EU social policy developed during the last decades and changed its scope and scale. Assuming that European level social policy is more than spillover effects, there should be a proper social question also at the European level. Second, it tries to learn from

historical periods and problems and therefore includes insights from comparative historical analysis using it as background knowledge that can be rendered analytically available.

Trying to learn from national welfare states' emergence and development does not mean to suggest that there is or will be a European welfare state. It is not the result that is of interest here but the process. Simply, the strategic advantage of already completed periods will be used: I assume that historical transformations provide insights into the complex and multifarious conflicts, interests and constellations and thus can contribute considerably to our knowledge and understanding of recent processes (cp. also Sassen 2005).

But one also has to be aware of the immense structural differences revealed by such a historical-sociological perspective: While most national welfare systems were incorporated in fixed state structures and already established nation states, the three of which were strongly interrelated, the slowly emerging European patterns of social policy ran parallel to the making of the political structures during the last decades. What is more, within nation states identity and solidarity interacted with other political, economic and cultural dimensions. This "close relationship between identities, interests, and the institutions of social solidarity and political decision-making" provides for their historically unique structural stability (Bartolini 2005: 410). At the European level there was no such thing as a nation-building project in the beginning. However, over time, one can observe a shift in the patterns of justification of EU social policy that came to slightly resemble those in the nation state. Therefore, the assumption is that to the extent that the European Union also embarks upon *state* and *nation-building*, supranational social policies that are not only designed to flank *market-building* are also able to develop.

Furthermore, given the fact that the Union faces already occupied sectors in the field of social policy it can be assumed that EU level social policy has been creating its own questions bringing along new types of solutions instead of providing competing solutions to the same questions. From the very beginning this rendered the chances for comprehensive social provisions at the European level rather bad.

But national welfare policies neither were anything but natural. On the contrary, specific constellations of political, structural, cultural and socio-economic aspects have been and still are shaping national paths. Theories trying to explain welfare state development have framed the question which aspects proved crucial for a welfare state's respective definition of the social question differently thus highlighting different impact factors (for an introduction see Myles/Quadagno 2002). There are essentially three different theoretical approaches trying to explain what determines welfare state development: Modernisation or functionalist theory, power resource theories and state-centred approaches.

While the first theory focuses on industrialisation and other major transformations as the main source of welfare state development and the second approach, power resource theory, emphasises "the nexus between a strong and well-organized working class and generous social policy" (Baldwin 1990: 41), the third perspective centres on political institutions and the way state structures influence policies:

“This approach views the polity as the primary locus for action, yet understands political activities, whether carried on by politicians or by social groups, as conditioned by institutional configurations of governments and political party systems.” (Skocpol 1992: 41)

In her seminal work *Protecting Soldiers and Mothers* (1992) Skocpol contrasts the view that there is no U.S. welfare system. Social policies, she argues, have been distinct because influenced by their specific institutional settings actors framed a totally different social question that made European scholars conceive U.S. welfare policies as marginal because they are not centred around wage labour. This work reveals how dominant concepts may bias social scientists’ interpretations of new or different institutions, thus raising awareness of the fact that applying established concepts can be useful but it also runs the risk of ignoring crucial differences.

The Bonapartist version of a state-centric theory “regards social policy in a politically functional sense as a means used by social elites of preserving the status quo, sidestepping the threat of major reform by granting modest concessions to increasingly important but largely disenfranchised classes.” (Baldwin 1990: 39) This logic especially applies to the early German welfare state, which therefore exclusively addressed workers (Kaufmann 2003). The aim of this working men’s policy was to maintain the workforce and to improve working conditions (while coping with a limited budget). Because of this logic, the old age pension scheme was rather focused on workers (and hence on invalidity) and subordinated retirees, which is why much more money was spent on invalidity (Kott 1996: 317). Given the youth of the German nation and the ongoing mobilisation of the organised working class the social reforms of the 1880s proved to be particularly useful as both pacifying policy and integrative measure.

In contrast, less affected by the social implications of industrial capitalism, the French social legislation can be traced back to a number of demographic problems. This structuralist or functionalist account explains social policy formation in focusing on a country’s socio-economic features that are meant to influence social relations. From the end of the eighteenth century the country’s birth rate constantly declined while numbers of those older than 60 were high compared to Germany; however, the number of industrial workers was smaller than in the neighbouring country (ibid.).<sup>1</sup> These socio-economic differences led to totally different formulations of the social question. As the most famous representative of the functionalist perspective also modernisation theory explains the emergence of the social question with regard to economic and macro-social trends that require the introduction of welfare policies (Wilensky 1965; Flora/Heidenheimer 1981). But since the theory concentrated on universal trends such as industrialisation, democratisation or urbanisation it failed to explain why different states framed their social question differently.

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<sup>1</sup> In France the number of births declined between 1815 and 1915 from 33 to 17 per 1.000 population, while the rates in Germany only started to drop in 1902 at 35 per 1.000. During the 1880s the industrial labour force only accounted for around 26 per cent of the French working population, in Germany it made up more than 30 per cent.

Thus, depending on the theoretical stance one adopts, a state's specific distribution of power resources, its political institutions and state structures or the structural features account for diverging guiding principles shaping social policy formation. However, the flaws of single perspectives emphasising only one analytical dimension as well as recent theoretical advancements seem to hint in the direction that combining different explanatory dimensions is more fruitful in order to provide a more encompassing picture. Among the first Orloff and Skocpol develop a "state-centred frame of reference" that complements the traditionally invoked social factors:

"Overall, we maintain that the politics of social-welfare provision are just as much grounded in processes of statebuilding and the organization and reorganization of political life as in those socioeconomic processes – industrialization, urbanization, demographic change, and the formation of classes – that have traditionally been seen as basic to the development of the modern welfare state." (Orloff/Skocpol 1984: 732)

State structures, the authors argue, have a long-lasting influence on the preferences of social groups, a country's political culture and hence the welfare policies. So in Britain, it is shown, the New Poor Law's national administration laid the foundation for central activities in the realm of social policy.

In their work *Development and Crisis of the Welfare State* Huber and Stephens (2001) also present a number of path dependency arguments. Political choices are "made in the context of institutional constraints and policy legacies, and of other actors' resources and strategy." (Huber/Stephens 2001: 190) Thus, for example, the service-heavy, women-friendly Nordic welfare states can be explained by linking high female labour force participation, a social democratic government, the political mobilisation of women and the expansion of public social services. Theoretically, as becomes clear in the example, the study combines state-centred, power-resource and functionalist arguments in order to be better able to explain welfare state development.

More recently scholars have increasingly come to include ideas, norms and values in their analysis and – assuming that they shape welfare policies since they shape the way actors perceive the world they live in – combine these factors with institutional analysis in order to be better able to explain actors' choices or institutional change (Béland 2009; Orloff/Palier 2009; Béland/Waddan 2012; Sachweh 2011; on EU: Checkel 2001; Parsons 2002). Ideational analyses highlight different ways how ideas can influence policy change: Ideas help to construct the problems that enter political agendas; they may serve as "policy paradigms" (Hall 1993) that legitimise or challenge policies or they can command change as "powerful ideological weapons" (Béland 2009: 705).

Overall, in their historically grounded works social scientists tend to be eclectic in how they frame welfare state development and change. They interpret the development of national welfare policies in the light of major transformative processes as well as particular national characteristics among which especially institutional aspects such as state structures or constitutional provisions feature prominently, but also the role of ideas, actors' constellations

and social factors is considered. Secondly, a certain way in dealing with time and processes characterises historical, context-sensitive studies. Historical institutionalists stress the role of policy and regime legacies and show how those existing structures shape future social policies. Thus, since historically grown public policies create major opportunities and constraints this scholarship discusses policy change as long-term development that can only be understood properly when considering past developments.

Considering the EU's specific features one could try to describe its social politics according to the above pattern. The question is now: What type of social question is guiding the social policy of the European Union, i.e. which constraints and opportunities shape its long-term evolution and how can one properly describe its expansion? In order to answer these questions the following sections focus at the macroeconomic structures, institutional constraints and opportunities and ideational factors that shaped the development of EU social policy.

### **3. The European social question or “you cannot fall in love with the single market”**

#### **3.1 A question of market making**

From the very beginning the European Union itself derived the need for social policy measures from the market compatibility requirement. This functional argument can already be found in the Treaty of Rome. It aims “to promote improved working conditions and an improved standard of living for workers” which are interpreted mainly as a spillover “from the function of the common market” (TEEC 1957: Part III, Title III, Art. 117). Accordingly, the social provisions defined in Part III rather represent concessions by the neo-liberal camp (above all Germany) to those countries more interested in social policy harmonisation (France and Italy) (Pierson 1996; Falkner 1998). These are few and directly linked to the labour market: equal pay for men and women (Art. 119) and common social security measures for migrant workers (Art. 121). In regard to labour law, working conditions, vocational training, health and safety at work, the right of association and collective bargaining the six signatories promise “close co-operation” (Art. 118) but do not empower the Commission to propose laws. In order to render “the employment of workers easier and [to increase] their geographical and occupational mobility within the Community” (Art. 123-128) the founding treaty introduced the European Social Fund (ESF), which was characterised by the free market doctrine as well since it was set up in order to help implementing an integrated labour market. In sum,

“[t]he dominant philosophy of the Treaty was that welfare would be provided by the economic growth stemming from the economics of a liberalised market and not from the regulatory and distributive capacity of public policy” (Falkner 1998: 57).

Thus, in view of the relevant actors the market compatibility requirement made European action necessary. Differences in national labour law, social security etc. were perceived as harming the level playing field for economic actors and thus distortion of competition. Therefore, the social regulations of that era mark a minimum harmonisation, allowing the functioning of the single market. In the following decades, this market building logic and the free movement of workers linked to it unleashed a bunch of regulations and ECJ decisions that were supposed to remove national barriers and implement the stipulated freedoms. Given the fact that the EU-wide economy and competition regime began to intrude further into national welfare regimes and yielded unintended effects such as the application of the freedom of services to welfare state institutions (cp. Leibfried 2005) scholars framed the expansion of the European social dimension as negative integration (Leibfried/Pierson 1995; Streeck 1995; Scharpf 1996; Leibfried/Obinger 2008). Although this indirect mechanism is one important aspect of EU level social policy, in trying to identify the overall logic of the expansion of European social policies this paper follows a different approach. Actually, the EC's freedoms were meant to constitute the single market but not to constrain welfare state action. So in contrast to national social policy which is often market-compensating, the Commission and the Council mainly argued with a view to the functioning of the Single Market:

“The EU's social dimension is usually discussed as a corrective or counter to market-building, but instead appears to have proceeded largely as part of the market-building process.” (Leibfried 2005: 257f.)

Thus instead of being part of a wider state-building project EU social policy rather substantiated the making of the market. The fact that the only group of persons the early European social question directly addressed were migrant workers underpins this logic.

At the macroeconomic level an increasingly open and competitive world economy and the failure of the Keynesian policies during the first oil crisis further consolidated this trend. This uncertainty perceived by the political actors resulted in the “consensus of competitive liberalism” and the European Monetary System that was meant to improve the domestic economies by introducing fixed exchange rates, allowing for a high level of economic openness (McNamara 1998). Therefore the constellation of economic insecurity and a new liberal consensus between the member states at the beginning of the 1970s gave priority to monetarist policies at the political agenda of the EC.

Thus, it can be explained why in the Single European Act of 1986, which was set to create a single market by 1992, member states confined to market-related social policy innovations, namely “health and safety of workers” (SEA 1986: Art. 118a ). So this first major revision of the Treaty of Rome did not bring about a conceptual change in social policy. Both EC structural politics (ESF and the European Regional Development Fund (ERDF) introduced in 1975) and the regulations concerning employment, social security and equal treatment were geared towards the removal of national barriers in order to enable the functioning of the single market and the mitigation of economic differences that might inhibit



competition within the enlarged market. Hence, the EC social question can be framed as market question: As it is directly linked to market-making processes, individuals only enjoy public support if they work abroad. From a historical perspective, a new mode of social policy that protects market building instead of correcting the market has been developing in the European Community. In sharp contrast to national social policies that mainly reacted to the growing social distress (and its imminent political consequences) produced by the market, social policy at the European level is no counter-reaction to an already existing common market but is supposed to accompany the market-building process. Thus, only the overall aim of the single market provides the supranational character, but in so far as EC social policies strove to react to and alter national barriers and deficiencies they represent no genuine Europeanised social policies.

However, besides the high politics of the treaties negotiated by member states, one can also witness a growing social activism within the EC that can be attributed to the Commission, which is slowly gaining power and tries to pursue its own interests and aims. This looming tendency of Europeanisation in the realm of social policy will be examined in section 3.3 but before, the following section will take a closer look at the EU's structural policies as one example of distinct European activities in the realm of social policy.

### 3.2 Structural and regional politics

It became clear so far that beyond the self-declared functional requirement there was not much room for social policy in the Community's early decades. An exception is the European Social Fund (ESF) that can be framed as the first genuine European social policy and the only explicitly redistributive component of EC policy, i.e. the only EU-funded social policy. The fact that each EU enlargement posed great challenges to the structural funds marks them as an "interstate transfer mechanism" under the member states' control (Hooghe/Keating 1994: 371): Following the first Northern enlargement the European Regional Development Fund (ERDF) was introduced in 1975 in order to improve the bargaining position *vis-à-vis* the UK and the 1994 Cohesion Fund reacted to the growing economic divergence between member states. Thus ESF, ERDF and the Cohesion Fund – the Union's major (cross-sectoral) structural and regional instruments – reflect the EU's dominant economic objectives, but this paragraph shows that they are also an expression of the increasing supranationalisation of EU social policy.

Together the three instruments make up more than one third of the EU budget today as spending on regional policy steadily increased since the 1960s. Especially during the Delors presidency (1985–1994) the structural funds of the EU have been significantly revalued. It was only then that the EC gained an explicitly redistributive element:

"The "reform of the Structural Funds" introduced by the Delors package was the first substantial European-level attempt to confront regional inequalities by planned redistribution among member states. The reform increased Community resources, proposed using these funds more effectively, and, most important, sought to

consecrate a long-term EC commitment to the kinds of interregional transfers found in federal systems.” (Ross 1995: 365)

In relative terms the budget for structural funds compared to the Union’s overall budget almost doubled from 11.4 per cent in 1980 to 21.8 per cent in 1990 (1970: 2.8 per cent, 2000: 35.7 per cent). The current budget, 2007–2013, is 347 billion (38.33 per cent) (European Commission 2007).

During the 1970s, when the ESF increasingly addressed structural unemployment targeting vulnerable social groups and regions in need, the Commission widened its role as coordinator, conceptualiser and controller of the Fund (Brine 2002) and thereby weakened the earlier notion of regional policy being “little more than an interstate transfer mechanism” under the member states’ control (Hooghe/Keating 1994: 371): While poorer member states used to demand financial compensation for their agreement to the single market programme in the light the expected gains from market integration, donor states were more than willing to pay (Marks 1993; Hooghe/Keating 1994). This changed after the Single European Act introduced the concept of cohesion in order to promote an “overall harmonious development”, strengthen the “economic and social cohesion” of the Community and in particular to reduce the “disparities between the various regions and the backwardness of the least-favoured regions” (SEA 1986: Art. 130a), which was equal to “a long-term financial commitment to the poorer areas” (Hooghe/Keating 1994: 374). This enabled the Commission to significantly strengthen its role in the 1988 reform process. Thus, although member states negotiate the size of the budget the Commission actively shapes and monitors the single programmes and thus also autonomously determines where and on what the budget is spent (Marks 1993). In cooperation with regional or local governments as well as the member states, the Commission now frames the newly introduced programmes and negotiates contracts with the supported regions.

Given their macro-economic focus, structural and regional politics are traditionally framed as economic policies within nation states, but the ESF was unequivocally framed as social policy: Structurally, it has been housed in the Commission’s Directorate-General for Employment, Social Affairs and Equal Opportunities (formerly Directorate for Social Affairs) and in the Treaty of Rome it appeared under Part III Title III Social Policy. Thus, in order to promote economic and social cohesion, the EU seems to identify its own social policy fields to tackle internal problems and disparities. Its statements and official documents are guided by highly divergent socio-economic parameters and performances. In 2008, GDP per capita reached from under 30 per cent of the EU-27 average in the region Severozapaden/Bulgaria to 343 per cent in Inner London (Eurostat 2011: 94). At the lower end of the spectrum about one out of four inhabitants of the EU lived in regions with a GDP of less than 75 per cent of the EU-27 average (mostly the new member states), while on the other side of the spectrum, less than 20 per cent of the EU-27 population lived in one of the 40 regions, where the GDP was more than 125 per cent of the average (ibid.). But the



regional focus cannot only be explained by the fact that there are substantial cross-national differences but also by the immensely diverging values within countries. In the 23 countries with two or more regions 13 countries host regions with a GDP per inhabitant twice as high than the regions with the lowest GDP. The largest within-country inequality can be found in the UK and Romania with the richest regions having an almost quintuple value than the poorest ones (ibid.).<sup>2</sup>

Thus, the overall objective to improve the economic performance within the EU – framed as “economic and social cohesion” – drives the structural and regional policies. Here, again, EU social policy is guided by a market logic. In contrast to national redistributive policies social participation is no objective in its own right. Nevertheless, structural policies reacted to the economic and social climate and were not only responsive to member states’ misgivings and expectations linked to future economic developments. For instance already during the 1980s changing labour market conditions and growing unemployment led to a “discursive shift” in the ESF addressing specific groups such as long-term or young unemployed (Brine 2002: 61). Therefore it was especially the ESF that successively came to be one of the EU’s key instruments regarding employment politics and it is the only employment policy that is provided with funds. The structural funds were increasingly designed to combat adverse effects of European integration and serve as financial transfer between regions. This incremental shift in the problem definition from improving the overall economic performance in respect to an integrated labour market to cushioning social effects of economic integration and securing EU political cohesion is an expression of the greater supranational orientation of structural and regional politics in particular and EU social policy in general.

In contrast to its member states, the European Union does not address need at the individual level but at the macro, i.e. regional level, treating it as structural phenomenon. Given the dominant discourse of economic growth and competition, there was a great awareness of regional disparities and the economic problems faced by disadvantaged regions or member states that might even be exacerbated through market integration. Because the Commission envisions regions as key actors, sub-national governments enter the field as new actors<sup>3</sup>, who become increasingly involved in EU politics (Hooghe/Keating 1994). This

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<sup>2</sup> However, in terms of outcomes, although the regional disparities constituted a major impetus for the structural policies and although Eurostat (2011: 00) observes a general trend towards a “clear progress in economic convergence”, this EU-wide trend, in turn, cannot be attributed so easily to the measures applied by the Union.

<sup>3</sup> This new relevance of the subnational level is also enshrined in the 1992 Treaty of Maastricht, which creates the Committee of Regions, a consultative body that was established in 1994 in order to give regional and local governments a voice in issues where regional interests are at stake (thus, also in the field of economic and social cohesion). Thanks to the Treaty of Lisbon the formal role and power of the Committee has increased during the last years. Although its impact on EU policy-making is widely held to be rather limited, in the long run it might “lead to the emergence of a common subnational political culture” (McCarthy 1997: 440; see also Ricci 2010). Thanks to the Treaty of Lisbon the formal role and power of the Committee has also increased during recent years.

strengthening of regional actors aims to mobilisation and a more coherent organisation with the result that in some states regional structures are introduced where there were none before:

“The European Commission has been actively using cohesion policy to generate regional and local demands for greater cohesion and to provide them with an organizational underpinning. States without regional structures, such as Greece, Ireland and even the Scandinavian applicant countries, have been obliged to establish some form of regional administration.” (Hooghe/Keating 1994: 378)

During the previous years the Commission also conceived the region as a key actor. In its *Sixth progress report on economic and social cohesion* it gives priority to the role of regions for economic success (European Commission 2009) and from 2013 “territorial cohesion” will be an integral part of cohesion policy (European Commission 2008). All these efforts are likely to induce intensified cross-border cooperation or networking and even to contribute to the formation of new regional territories; however, they are unlikely to significantly affect the influence of national governments.

This strengthening of regional and local actors agreed on by the member states causes unintended consequences of multilevel governance as Marks has shown quite convincingly by taking the example of the conflict between the European Commission and the UK over the principle of additionality:<sup>4</sup> In 1992, British local actors successfully allied with the Commission in order to force the government to change its position on the organisation of the funds (Marks 1993). This episode evidences that “member states do not know exactly to what they are agreeing to when they sign on” (ibid.: 403).

It became clear that Europe poses the question of redistribution as regional question that might potentially trigger a long-term process of double territorialisation: First, because territories are central to the regional funds as units of redistribution one can speak of a territorialisation of redistributive policies (cf. Anderson 1995). In sharp contrast to traditional redistributive social policies at the national level, it is not individual needs or performance at the labour market that define a person’s benefit level; rather socio-economic parameters of cities, regions or states condition the payments. This focus on areas instead of households and individuals reflects the division of labour between national, local, regional and the European government and the constraints in regard to social policy-making that are nevertheless faced by the EU. The second type of territorialisation stems from the efforts to include regions as central actors to raise their awareness, leverage and voice. Both territorial lenses could possibly give birth to an alternative European map. The question is to what extent this development brings about new identities, conflicts, interests and solidarities between and within these spatial units independent from former national affiliations.

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<sup>4</sup> The British government opposed this principle, which aims to ensure that European structural funds do not replace national expenditure, and preferred to decide independently on its mode of financing.

In conclusion, the development of EU structural policies over time clearly marks a step towards supranationalisation, meaning that EU-level social policy is not only subject to intergovernmental political bargaining but also to the activities of European actors. That is, not only the Commission and the regions as supranational actors successively gained power (both through the expansion of competences and the introduction of new instruments), also economically, the funds became stronger and more effective. Last but not least, in conceptual terms the shift towards economic solidarity, interregional transfers and cross-national networks is also a sign for a stronger supranational orientation. These processes entail crucial path-dependent elements that reinforce the decisions made in the past: The expectations of target areas and potential new member states will shape the negotiations on future budgets and instruments. Anderson (1995) even states this mechanism will prevent traditional redistributive social policy measures targeted at individuals and households from emerging.

### 3.3 From the Europeanisation of the market to the Europeanisation of the social?

In 1992 the *Agreement on Social Policy* annexed to the Maastricht Treaty promotes “employment, improved living and working conditions, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combatting of exclusion.” (TEU 1992)

Compared to the social goals formulated in the treaty, member states – except the UK – show much more commitment to social solidarity within the EU. But the agreement did not only extend social policy competences, it also involved procedural reforms as well as new concepts: In regard to the decision-making rules at the supranational level it extended the qualitative majority voting to the fields “working conditions, information and consultation of workers, equality between men and women with regard to labour market opportunities and treatment at work [and] the integration of persons excluded from the labour market” (Art. 2.1 and 2.2). The second procedural change widened the actors as it allowed to include “management and labour” as new actors in the process of social policy making (Art. 3). In conceptual terms the major innovation of the Social Protocol is the integration of those without work – a field formerly excluded because it is not directly linked to economic integration.

In 1997 this bundle of regulations agreed on by 11 of the 12 member states was incorporated into the Treaty of Amsterdam – now applicable to all member states – and allowed for more recent social policy developments at the European level. During the last two decades the EU tried to play a more active role in combating social inequality and unemployment and in creating new jobs which, again, means a radical departure from its traditional areas such as employment protection, gender equality or regulations concerning the free movement of workers. In this new era the Commission even came to formulate aims that

appear to resemble national social policies targeted at individuals: at least rhetorically the documents speak of “employability” (first pillar of the European Employment Strategy launched in 1997), “social inclusion” (European Council 2003) and “labour market reforms” (European Commission 2012). Obviously, these reforms move beyond the traditional focus on market making. They hint at a new problem definition of EU-level social policy, so my argument here. But how was this ground-breaking change possible?

The *Agreement on Social Policy* needs to be viewed in the context of a new political climate, a growing self-confidence of supranational actors and the social costs of implementing the Euro convergence criteria. By the time of the Maastricht Treaty’s signing, a shift in the policy preferences of most member states accommodated the EU-level “pro-harmonisation coalition” (Falkner 1998: 65) consisting of the Commission, national and European level trade unions and the European Parliament and backed the new regulations.

With respect to the macroeconomic structure it is no longer the world economy that is seen to affect domestic economies; member states start to frame their social and economic problems as European problems that can be attributed to the single market and the formation of the Economic and Monetary Union, so that national governments have started to change their mind in favour of joint solutions (see also Rhodes 2005). Sbragia (1994: 70) describes this process as “gradual knitting together of the Community and the states that compose it”: As members are increasingly affected by the redistributive and regulatory elements of EU social policy they also begin to align their preferences and interests according to this new constellation. As a result interests are no longer preformed exclusively by national settings but are also coined by European institutions.

At the European level this perceptual and preference change was more than welcome. The regulations hint at a new logic behind European social policy. Especially under the Commission presidency of Jacques Delors (1985–1994) social provisions were no longer exclusively linked to the formation of a common market but the need to cushion economic integration, to promote greater cohesion and create legitimacy and even identity:

“You cannot fall in love with the single market. [...] That is why I am constantly stressing the need not only for a frontier-free area but also for the flanking policies which will open up new horizons for the men and women who make up this Community of ours.” (Delors 1989: 3)

The vision of “the creation of a European social area [...] ensure[s] that economic and social progress go hand in hand.” (EC Bulletin 1/1986: 9) This reformulation of the relationship between the common market and social security and well-being is reminiscent of the national constellation. The new conception is accompanied by a diversification of the patterns used to justify EU social policy: On the one hand the integration of the European social partners can be seen within the wider project of “[s]trengthening democratic legitimacy” and the establishment of a “genuine political dimension” of the Union (European Commission 1990: 9, 17). On the other hand the widening of competences is linked to a new functional dimension assigned to social policy by the Commission. The fact that social

policy at the European level takes on a life of its own and gains new relevance as compensating as well as legitimising and integrative part of the Union is not only a clear hallmark for European integration, which goes beyond pure market making, but also for the internal path-dependent dynamic that accounts for the incremental expansion of social policy within the EU.

So as the problem definition widens the degree of supranationalisation of social policy does as well. Given the increasing awareness of social problems as European and not exclusively of member states' problems social policy gradually became a goal in its own right rather than resulting only from market compatibility requirements. Here, if not earlier, it becomes clear that social policy-making is more than interstate negotiation of national interests. Now that the central body pursues its own interests and strives to gain more competencies social policy is one of the instruments that flank this process. Just as national governments the Commission appreciates the "social dimension" as a legitimising and integrative instrument in order to promote greater cohesion, acceptance and even a European identity.<sup>5</sup> In creating "an ever closer union among the peoples of Europe" (TEU 1992: Art. A) the newly established entity strives to develop social cohesion, close cooperation and introduces Union citizenship (*ibid.*, Art. B). Thus, the EU has arrived at a highly symbolic level typical for state or quasi-state structures.<sup>6</sup> This development was flanked and fostered by the procedural and technical innovations assigning the Commission and other EU-level actors greater competences and more leeway for creating strategies and shaping agendas.

#### 4. Theoretical Discussion

The above provided a view of EU social policy development in a long-term perspective. It is in line with historical institutionalism's and Pierson's famous claim that "actors may be in a strong initial position, seek to maximize their interests, and nevertheless carry out institutional and policy reforms that fundamentally transform their own positions (or those of their successors) in ways that are unanticipated and/or undesired" (Pierson 1996: 126). Before drawing conclusions I would like to point to the main theoretical implications, some of which confirm previous works and some of which shed new light on the nature of the processes of interest here.

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<sup>5</sup> More recently this argument has been objected by scholars who show that the Council and the Commission increasingly came back to legitimise their activities with the formation and creation of new markets (e.g. Höpner/Schäfer 2012). Examples for this return of economic patterns of justification can be found in the employment package launched in April 2012, where the Commission identifies key labour market sectors within the EU, that offer a potential to create jobs (European Commission 2012).

<sup>6</sup> The symbolic dimension of EU social policy involvement becomes even more obvious when considering the new mode of governance linked to the new fields: Instead of employing binding directives the Open Method of Coordination is based on voluntary implementation of the guidelines and recommendations of the Council and the Commission (Rhodes 2005). At least temporarily this allows a strong commitment at the European level while keeping the sovereignty of the national level.

While most scholarship explaining EU social policy or debating future prospects thereof highlight the institutional constraints stemming from the multilevel character of the European project, the proposed perspective rather draws on the opportunities that are caused by these very limitations. A general structural constraint, for example, is the already existing high level of national welfare policies. This fact clearly shapes and guides social policy activities at the European level. Combined with the constitutional and political limitations of the Union itself the resulting policies (such as the concern the regional disparities) are settled at the boundary between social and economic issues. Especially in the field of social exclusion and unemployment the Commission's actions complement those of the welfare states.

The three periods looked at are examples of how "long-term institutional legacies on policy making" (Béland 2009: 702) help to form its future design. Previously enacted measures have a major impact on the current development of EU social policies. For example once introduced the OMC became crucial in more and more policy fields, which in the long run will influence the overall effects and design of European (supranational) social policy. Also the EU's regional politics have yielded a considerable path-dependent dynamic as has been shown. Similarly, the inclusion of the Social Agreement into the Treaty of Amsterdam five years after its initiation is an example of a reform process that unfolds over time and that can be attributed to changing actors' constellations and preferences, since the change in government effected the British opt-in. Generally speaking, these regulations and instruments do not only boost the growing interdependence of the national, European as well as regional and local level but they also form the respective context and frame of action, which constrains or informs actors' preferences, political bargains and the social agenda in the future. Therefore, in emphasising the institutional dynamics rather than institutional inertia, it can be argued that especially at the European level path dependency combined with intertemporal effects has brought about institutional reforms, technical and administrative innovations and thus, in the long run, piecemeal change allowing for political initiatives and the expansion of the social dimension.

Overall, polity building at the European level accompanies the EC's initial market building project. The two can be considered as mutually reinforcing processes, which among others strengthened the role of the Commission not only due to procedural reforms, but also given its growing independence, aplomb and creative power. The development of the structural and regional funds over time has illustrated the European Commission's detailed expert knowledge that combined with its enhanced formal role has resulted in the body's growing independence. This increasing importance casts doubts on the intergovernmental argument that only national governments control the emergence of political initiatives. In addition, as agenda setter the Commission has the power to introduce new concepts or frame political questions, which allows pursuing its own vested interests. This points to the importance of ideas in explaining the emergence of social programmes or policy change. Especially during the 1980s and 90s, ideas of a social Europe, a social dimension of the EU or a European social model have always been driving the political process. Of course, they



did not result in a European welfare state but informed and spurred the actors' way of thinking and impacted the notion of what are pressing social and economic issues at the European level.

These policy-making mechanisms, according to the assumption here, yield further consequences. In the widest sense they can be described as interaction effects between the market project and an emerging state-building project: The greater the political power, independence and competences of the supranational units, the more the EU embarks upon the formation of polity structures that have not been envisioned from the outset. This has spurred an unprecedented though unintended process of social integration, the instruments of which are no longer only designed to flank market building. Thus, over time, the problem definition of EU social policy changed while its supranational dimension grew stronger. As I was able to show this process involves an incremental twofold shift in the interpretation of social policy at the European level: from market-promoting to market-compensating social policies and from cumbrous but necessary to desirable because legitimising and integrative social provisions.

## 5. Conclusion

Those interested in the formation of EU social policy can learn a lot from the multifarious works explaining welfare state development and reform and elaborating on the theories available. Since they integrate a lot more aspects in their analysis they are in many respects better able to explain EU-level developments than the prevailing neofunctionalist or inter-governmentalist approaches. This is why the paper proposed a historical-sociological perspective that draws on the findings and conceptual claims of historical comparativists and historical institutionalists. It attempted to get to the bottom of what has been and still is guiding the European Union's social policy. Therefore, it asked for the dynamics of social policy-making at the European level for three key periods and tried to identify a specific EU social question in order to be able to distinguish between the *consequences* of European integration mostly framed as spillover – namely the erosion of the autonomy of national welfare states – and genuine supranational *activities*.

It became clear that rather than one grand social question this process bears several possibilities of framing the social problem at the European level. First, although social policy had a (marginal) place within the European project from the very beginning, it was only existent as a corrective to economic integration. So the first social question grounded in the Treaty of Rome can be framed as a market question. This changed slightly when the Commission's structural policy approach was significantly strengthened during the Delors area and, secondly, the European social question became a regional question. So while the market-building measures have been triggering a process of deterritorialisation curtailing the definitional power of member states in regard to who receives social benefits and the territory within which social rights are exercised or benefits are granted (Leibfried 2005), the

EU's redistributive welfare policies bring about a new territorialisation which is different from the one before. The newly evolving territorial regimes are no sovereign units but socio-economic entities that do not share the nation state borders. At this step labour market-related social imbalances are increasingly taken into consideration but are still mainly framed as national problems that only become relevant when harming the single market.

It is only in the last step that a specific European *social* question seems to emerge, although this remains at a rather symbolic level. Here, the difference between collectively produced problems and problems dealt with collectively becomes blurred noticeably. EU-level actors derive a necessity to act increasingly from supranational pressures, parameters and mechanisms. Additionally, for the Commission the social question has become also a question of legitimacy and a source of social cohesion. However, the observed shift from market-building to market-compensating social policies does not mean that nowadays the latter outrun the former. The process remains linked to and restricted by structural and institutional factors: European social policies reflect the respective opportunities, political atmosphere, institutional constraints and economic context just as much as national welfare states. Of course, in case of the EU the decision-making process is further complicated by the fact the national governments tend to jealously watch their competences (including the fact that traditional social policy fields are under the responsibility of nation states) and that the Commission is not endowed with legislative competences.

The paper further illustrated that the incremental and long-winded process of supranationalising social policy in the EU is a story of the successive and interrelated expansion of the actors involved in the process and the specific social policy competences, as well as of softening the decision-making rules and of realising conceptual innovations. All four widened during the last decades, rendering possible a European social policy that is supranational in design and not mainly addressed to national-level problems or tackled by national-level solutions. Besides these clearly traceable hard facts the internal dynamic of the EU in general and the Commission in particular also contribute to the construction of a wider frame of action. EU policies produce the necessity to further regulate the issues once touched. In the course of this process, it partly internalised domestic member states' problems and constructed EU-wide indicators that suggest a requirement of EU-wide solutions such as the Cohesion Policies that were clearly designed to tackle national economic and social imbalances. The European Union provides a new official basis of comparison that relates member states to each other which in turn creates the demand for a European solidarity and an overall successful economic performance of member states. The financial flows between net contributors and net recipients produce interdependencies and new interests. This new European scale creates new thresholds and aims. This step is a direct consequence of national welfare states' failure or incapacity to react to some global developments: Although national social policy is designed to regulate inequalities at the national level, since the 1980s welfare states increasingly refer to transnational problems and the impact of economic globalisation on welfare state sovereignty. At least as partly independ-



ent actors the new supranational actors were able to accommodate this constellation and claim more competencies during the 1980s and beginning 90s.

The recent crisis brings to light these increasing interdependencies. Under the impression of the “serious financial crisis” (European Council 2003: 1) and the impending bankruptcy of some of its member states the EU witnesses a new episode of political integration in the field of economic and social policies. In March 2011 the European Council adopted the European Stability Mechanism and the Euro Plus Pact, which focuses on “action where the competence lies with the Member States” (ibid.: 14). As the pact aims at a stronger coordination of economic policies its general goals are to foster competitiveness and employment, to contribute to the sustainability of public finances and to reinforce financial stability. In the long-run this critical juncture might prompt a new step European integration and an additional rationale of social policy formulation.

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